

## Message Text

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ACTION AGR-20

INFO OCT-01 ARA-16 EUR-25 ISO-00 SPC-03 AID-20 EB-11

NSC-10 RSC-01 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01

CEA-02 COME-00 CIAE-00 INR-10 NSAE-00 L-03 PA-04

PRS-01 USIA-15 DRC-01 /174 W  
----- 048883

R 062112Z NOV 73

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 1696

INFO AMEMBASSY OTTAWA

C O N F I D E N T I A L CARACAS 9431

E.O. 11652: GDS

TAGS: EAGR, VE, US, CA

SUBJECT: REPORTED CANADIAN WHEAT SALE TO VENEZUELA

REF: A. STATE 211027; B. CARACAS 8990; C. CARACAS 5370

1. VENEZUELA IS SIGNING CONTRACT WITH CANADIAN WHEAT BOARD FOR LONG TERM SUPPLY OF SUBSTANTIAL PORTION OF VENEZUELAN WHEAT REQUIREMENTS. CANADIAN EMBASSY CONFIRMED THIS TO US WHEN WE QUERIED THEM NOVEMBER 5 ON BASIS OF REPORT RECEIVED FROM A GRAIN TRADE OFFICE IN CANADA TO ITS COUNTERPART HERE. PENDING ANNOUNCEMENT, WE DO NOT HAVE DETAILED TERMS AS TO AMOUNT, PRICE, AND DURATION OF AGREEMENT, BUT GRAIN TRADE REPORTS INDICATE AMOUNT PROBABLY IS MORE THAN HALF VENEZUELA'S REQUIREMENTS AND PRICE IS POSSIBLY SUBSTANTIALLY ABOVE PRESENT WORLD MARKET PRICE. DETERMINING FACTOR IN DECISION WAS CLEARLY CANADA'S ABILITY TO CONTRACT ON GOVERNMENT TO GOVERNMENT BASIS. WE HAVE KEPT VENEZUELAN OFFICIALS INFORMED OF AVAILABILITY OF US WHEAT IN PRIVATE CHANNELS (REF A) BUT THIS HAS NOT DETERRED THEM FROM PURCHASING FROM CANADA.

2. CANADIAN EMBASSY SAYS FOREIGN TRADE INSTITUTE FIRST BROACHED IDEA SHORTLY AFTER BEGINNING OF YEAR, INDICATING VENEZUELA WAS CONSIDERING CENTRALIZING ITS PURCHASES OF WHEAT (WHICH CORPORACION CONFIDENTIAL

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DE MERCADEO AGRICOLA IS LEGALLY AUTHORIZED TO DO). IN JUNE,

COINCIDENT WITH APPEAL TO UNITED STATES (REF C), CORDIPLAN DIRECTOR ANTONIO CASAS GONZALEZ ASKED CANADA FOR WHEAT SHIPMENTS. CANADIAN EMBASSY REPLIED IT WAS PREPARED TO DO BUSINESS ON GOVERNMENT TO GOVERNMENT BASIS (CONTRARY TO POSITION U.S. GOVERNMENT HAS TAKEN), BUT WAS INTERESTED ONLY IN LONG TERM DEAL AS OPPOSED TO SPOT SHIPMENTS. VENEZUELAN GOVERNMENT RECENTLY INVITED CANADIAN WHEAT BOARD REPRESENTATIVES TO COME TO CONCLUDE THE ARRANGEMENTS: THEY DID SO, AND ARE SCHEDULED TO DEPART TODAY AFTER CONCLUDING THE CONTRACT. (GRAIN TRADE SOURCES SAY GROUP WAS HEADED BY ASSISTANT CHIEF COMMISSIONER OF CANADIAN WHEAT BOARD, AND HAS BEEN HERE SINCE OCTOBER 31.)

3. LOCAL GRAIN TRADE OFFICE REPORTS THAT CORPORACION DE MERCADEO AGRICOLA PLANS TO TAKE OVER SIXTY TO SEVENTY PERCENT OF WHEAT IMPORTS. CANADIAN GRAIN TRADE OFFICE REPORTS RELAYED TO US BY LOCAL COUNTERPART HERE ALLEGE THAT VENEZUELA WILL PAY \$50 PER METRIC TON ABOVE PRESENT WORLD MARKET PRICE. (THIS WOULD ENTAIL LARGE GOVERNMENT SUBSIDY TO MILLERS IF PRICE OF WHEAT PRODUCTS IS TO BE KEPT DOWN -- PRESENT FIXED PRICE OF BREAD FLOUR IS BS 31.50 PER CWT.) WE FIND IT DIFFICULT TO BELIEVE VENEZUELA WOULD AGREE TO SUCH A HIGH PREMIUM PRICE, AND SOME LOCAL GRAIN TRADERS ARE ALSO SKEPTICAL ABOUT THE PRIVATE CANADIAN GRAIN TRADE OFFICE REPORT ON PRICE.

4. WHEAT PROCUREMENT HAS BEEN CAUGHT UP IN DOMESTIC POLITICAL CAMPAIGN. VENEZUELAN GOVERNMENT HAS TOLD US CANDIDLY IT WANTED LARGE QUANTITIES OF WHEAT ON GOVERNMENT TO GOVERNMENT BASIS BEFORE DECEMBER 9 ELECTIONS TO AVOID ANY INCREASE IN BREAD PRICES. OPPOSITION ON OTHER HAND HAS PUBLICLY CRITICIZED GOVERNMENT SUBSIDY PROGRAM, ALLEGING BENEFITS TO FAVORED COMPANIES. GOVERNMENT HAS BEEN ALLEGING IN TURN THAT ACCION DEMOCRATICA HAS BEEN INVOLVED IN HOARDING OF POWDERED MILK, TO CREATE SHORTAGES OF FOOD. ANY CRITICISM BY U.S. GOVERNMENT OF THIS CANADIAN CONTRACT WOULD SURELY EMBROIL US IN PARTISAN POLITICAL CONTROVERSY, AND WOULD PROBABLY BE OF LITTLE EFFECT.

5. WE SUGGEST, HOWEVER, THAT WASHINGTON CONSIDER ISSUING A STATEMENT TO GIVE PUBLICITY TO DATA ON DOWNTURN IN U.S. WHEAT PRICES AND GOOD PROSPECTS FOR U.S WHEAT SUPPLY. DEPENDING ON CONFIDENTIAL

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TERMS OF CONTRACT, THIS MIGHT LEAD VENEZUELAN GOVERNMENT IN TIME TO BACK AWAY FROM CANADIAN PURCHASES AND RETURN TO U.S. SUPPLY, AND MIGHT IN ANY EVENT BE USEFUL TO PROTECT OTHER U.S. MARKETS AGAINST CANADIAN ENCROACHMENT.  
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## Message Attributes

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**Decaption Date:** 01 JAN 1960  
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**Disposition Approved on Date:**  
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**Disposition Case Number:** n/a  
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